

AR79



# *Annual Report*

APRIL 30TH, NINETEEN SIXTY-FOUR





## THE YEAR'S HIGHLIGHTS

	1963-64	1962-63
<b>PRODUCTION (Net after royalties):</b>		
Oil Production — Annual .....	Bbls. 382,515	414,404
— Daily Average .....	Bbls. 1,048	1,135
Gas Production — Annual .....	MMcf. 7,466	5,752
— Daily Average .....	MMcf. 20	16
<b>EARNINGS:</b>		
Gross operating income less royalties paid:		
Crude oil sales .....	\$ 949,017	1,025,233
Natural gas sales .....	\$ 978,912	711,797
Royalty income .....	\$ 174,050	178,403
	<u>2,101,979</u>	<u>1,915,433</u>
Cash flow from operations .....	\$ 1,395,376	1,126,147
Per share .....	\$ 17.8	14.4
Increase over previous year .....	% 24	27
Net profit (excluding non-recurring gain) .....	\$ 677,988	487,516
Per share .....	\$ 8.7	6.2
Increase over previous year .....	% 39	83
<b>EXPLORATION ACTIVITY:</b>		
Exploratory wells drilled (gross) .....	17	10
Expenditures:		
Land acquisition and exploration surveys .....	\$ 320,230	168,713
Wildcat and stepout drilling .....	\$ 250,772	159,022
	<u>\$ 571,002</u>	<u>327,735</u>
Ratio of exploration expenditures to total funds used .....	% 34	30



## DIRECTORS

AUGUST F. BECK	<i>Calgary, Alberta</i>
ERIC CONNELLY	<i>Calgary, Alberta</i>
WILBUR L. GRIFFITH	<i>Calgary, Alberta</i>
FRANCIS KERNAN	<i>New York, New York</i>
PLATO MALOZEMOFF	<i>New York, New York</i>
MILTON H. MANDEL	<i>New York, New York</i>
P. R. PAYN	<i>Montreal, Quebec</i>
FRANCIS E. RINEHART	<i>New York, New York</i>
FRANZ SCHNEIDER	<i>New York, New York</i>

## OFFICERS

AUGUST F. BECK	<i>President and General Manager</i>
PAUL C. EVANS	<i>Vice-President — Production</i>
W. P. HANCOCK	<i>Vice-President — Exploration</i>
DEREK N. WALKER	<i>Secretary-Treasurer</i>
FRANCIS E. RINEHART	<i>Assistant Secretary</i>

## HEAD OFFICE:

736 - 8th AVENUE S.W. *Calgary, Alberta*

## SUBSIDIARIES AND AFFILIATES

CANEX GAS LTD.  
BLUEWATER OIL & GAS LIMITED  
W. L. GRIFFITH LTD.  
THE LAMBTON COMPANY LIMITED  
NORTH DAKOTA ROYALTIES LTD.

## SHARES LISTED

AMERICAN STOCK EXCHANGE, NEW YORK  
MIDWEST STOCK EXCHANGE, CHICAGO  
THE TORONTO STOCK EXCHANGE

## TRANSFER AGENTS

CROWN TRUST COMPANY	<i>Calgary and Toronto</i>
HARRIS TRUST AND SAVINGS BANK	<i>Chicago, Illinois</i>

## REGISTRARS

CROWN TRUST COMPANY	<i>Calgary and Toronto</i>
AMERICAN NATIONAL BANK AND TRUST COMPANY	<i>Chicago, Illinois</i>

## AUDITORS

PEAT, MARWICK, MITCHELL & Co.	<i>Calgary, Alberta</i>
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## **TO THE SHAREHOLDERS OF CANADIAN EXPORT GAS & OIL LTD.**

Again this year, your Directors take pleasure in presenting a favourable annual report — this one for the fiscal year ended April 30, 1964.

Among the highlights of the year's operations:

### **HIGHLIGHTS**

**CEGO's earnings showed an increase for the seventh successive year.** Cash flow of \$1,395,376 was up 24%. Net profit after all charges increased to \$677,988, 39% over the comparable period last year; this does not include a non-recurring gain of \$542,459 which resulted from the settlement reached with Saskatchewan Power Corporation.

**The Company's capital structure was greatly strengthened.** With no increases in outstanding shares, the Company continued to decrease its bank loans and debt obligations and paid for all its capital expenditures from cash earnings. Last year's working capital deficit of \$385,000 was reduced to \$28,000.

**A deficit of \$1,273,000 at the beginning of the year has been reduced to \$52,000.** Despite the increase in profits, the Company's tax carry forward allowance at year end still amounted to approximately \$4,600,000.

**Two new oil discoveries were made,** one in Southeast Saskatchewan and one on a drilling reservation extending the Virginia Hills Reef field. The Company also purchased a small additional interest in the Crossfield Cardium Oil Unit.

Reference to the Source and Disposition of Funds Statement on page ten shows that cash earnings reinvested in the business were \$1,123,000, \$400,000 greater than last year. Investment in exploration amounted to \$570,000 an increase of \$242,000.

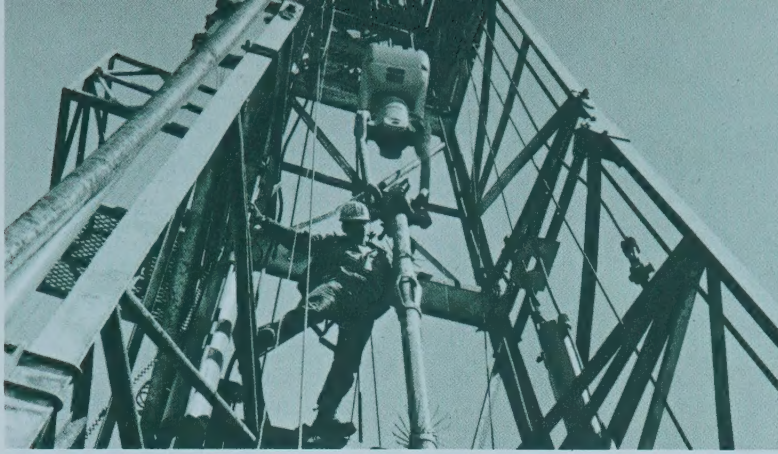
### **PRODUCTION**

The Company's gas production for the year reached an all time high of 7.466 billion cubic feet for an average daily production of approximately 20 million cubic feet, an increase of 30%. Oil production was down slightly to 382,515 barrels — approximately an 8% decrease. The decrease was due mainly to a lower than expected water flood production in the West Carnduff unit caused by water break-through. This overbalanced a continued improvement in production in the Virden area and the better than expected recovery from the Cardium Crossfield secondary recovery project. The results of the new discovery in Saskatchewan and the extension of the Virginia Hills Reef field have not, as yet, been reflected in the Company's production.

### **EXPLORATION**

Exploration has again been stepped up — with increased acreage acquisitions in more potential and desirable areas as well as increased drilling activity. The Company will continue to strengthen its position in the more potential areas in Western Canada.





Bluewater Oil & Gas Limited, in which your Company holds a 61% interest, has engaged in a very active exploration program in southwestern Ontario. This has resulted in one small oil discovery and one gas discovery at date of this report. Bluewater plans further evaluation of both these discoveries during the coming year and will also continue with the remainder of the exploration program initiated this past year.

## **UNCONSOLIDATED SUBSIDIARY**

Oil industry operations in Western Canada over the past year, and especially during the past six months, have been quite strong and active while implementation of the national oil policy has been most helpful in providing reasonably adequate markets. This improved market situation is expected to continue as long as the continental concept of marketing policy between the U.S. and Canada is maintained.

## **GENERAL**

Approval by the Alberta Conservation Board of the first oil sands processing plant in Athabasca and initially restricting such production to 5% of the total production from the province, is constructive. The expected increased demand for energy in Canada by 1970 may well require such additional production to retain the Canadian market for Canadian produced oil, from both conventional sources as well as the oil sands.

The Alberta petroleum industry awaits with considerable interest the decision of the Alberta Conservation Board regarding possible changes in the method of and basis for proration. However, whatever decision is made is not expected to materially affect CEGO's oil production.

Your Management expects another increase in production and income next year, resulting from the discovery and extensions made this year and the Company's continued participation in the growing gas market. The aggressive exploration program already underway will continue in the coming year.

The Directors again wish to take this opportunity to thank all the employees in the field and in the office, who by their skillful work and energetic performance, make it possible for the company to continue its favourable record.

Respectfully submitted on behalf of the Board,

Calgary, Alberta

July 6, 1964

A. F. BECK, President.



# GAS PRODUCTION

CEGO's gas production continued to increase during the past year due mainly to a peak loading contract with Trans-Canada Pipe Lines Ltd. for one year in the Bindloss and Steveville fields. The total production after royalties was 7.466 billion cubic feet, which is an increase of 30 per cent over last year's production of 5.752 billion cubic feet. (See graph on next page).

The tabulation at the bottom of page sets forth the net production by fields for the past five years.

## **HILDA GAS GATHERING SYSTEM**

Three additional wells were connected to the gathering system during the past year in order to maintain deliverability. It is anticipated that two additional wells will be drilled and connected to the gathering system during the coming year for the same reason.

## **SEDALIA GAS GATHERING SYSTEM**

An additional well was added to the gathering system during the year. During the coming year another well, previously drilled, will be connected to the gathering system to maintain maximum daily deliverability under the gas purchase contract.

## **WOOD RIVER**

The readjustment of gas purchase contracts for the Unit Area, effective on November 1, 1963, accounts for the increased net gas production which is expected to be maintained for the life of the contract. The gas plant and Unit operation was very satisfactory.

## **BINDLOSS GAS GATHERING SYSTEM**

The abnormal increase in gas production in this field was required to fulfill a one year term peak loading contract with Trans-Canada Pipe Lines Ltd. In order to meet our maximum daily contractual commitments, it was necessary to connect three previously drilled wells to our gathering system. This necessitated an 1100 foot crossing of the Red Deer River in mid January, 1964.

The actual pipe line crossing in fifteen days under adverse winter weather conditions and the unique technique devised under the direction of the Company's Chief Engineer, in cooperation with the contractor, deserve special note and commendation. The Bindloss Unit has approved the installation of 800 horsepower compression facilities to provide the production increase required for our contractual commitments.

## **STEEVILLE GAS GATHERING SYSTEM**

The dry desiccant plant in this system has operated very satisfactorily since originally installed. It was operated 33% above design capacity in order to supply peak load gas on a one year basis to Trans-Canada Pipe Lines Ltd. During December 1963 the Company also extended the gathering system to three previously drilled wells.

## **ATLEE-BUFFALO-JENNER**

A previously drilled well was connected to the gathering system in order to maintain deliverability. An additional previously drilled well will be connected to the gathering system during the coming year.

## **SADDLE HILLS**

In cooperation with another company, CEGO will construct a 20 million cubic feet per day nominal capacity plant to remove hydrogen sulfide gases and hydrocarbons and to process gas for sale to Westcoast Transmission Company Ltd. The Company will own an approximate net 5% interest in the plant and subsequent gas sales. It is planned to have the system in operation during the early part of 1965.

## **MEDICINE HAT**

A compressor was installed under the provisions of a new contract with Saskatchewan Power Corp. and three wells are being tested this year to determine the feasibility of economic production from the wells. The test wells are producing satisfactorily at the present time but additional time is needed for full evaluation.

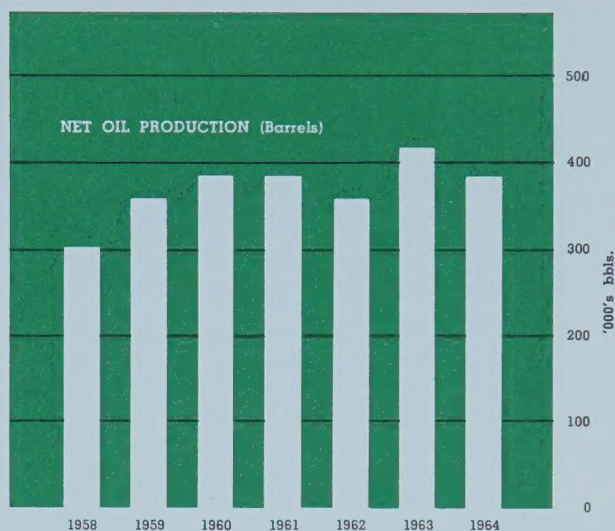
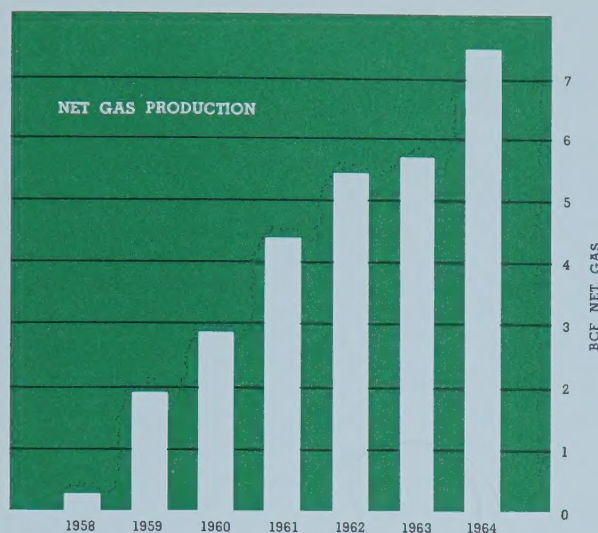
## **NET GAS PRODUCTION BY FIELDS**

*(After Royalties)*

*(Millions of cubic feet)*

	1964	1963	1962	1961	1960
Bindloss .....	1,775.963	1,196.040	1,024.799	809.871	743.888
Steveville .....	3,030.512	2,078.592	2,077.604	1,749.681	1,636.522
Atlee-Buffalo-Jenner .....	245.121	226.673	232.749	273.445	135.242
Medicine Hat .....	86.231	—	18.697	38.678	73.490
Hilda .....	1,444.938	1,450.053	1,481.129	1,330.687	327.427
Countess-Duchess .....	165.262	212.438	212.496	118.950	—
Sedalia .....	412.495	373.803	135.670	52.901	—
Wood River .....	284.719	191.262	330.457	22.695	—
Crossfield-Turner Valley .....	20.992	22.989	8.950	—	—
	7,466.233	5,751.850	5,522.551	4,396.908	2,916.569





## OIL PRODUCTION

During the past year CEGO's net oil production showed a slight decrease due mainly to the decline of water flood production in the West Carnduff Unit. Total production after royalties was 382,515 barrels, a decrease of 8% from the 414,404 barrels produced last year.

The graph above shows CEGO net oil production trend over the past 7 years and the tabulation below sets forth the net crude oil production, classified by fields, for the past five years.

### ALBERTA

#### CROSSFIELD

The Crossfield Unit and water flood program is proceeding quite satisfactorily as evidenced by the steady yearly production. The battery consolidation program has been completed; also the installation of treating facilities for the injected water. Reservoir information indicates excellent water flood performance which will probably increase the recoverable reserves above that originally predicted for the project; however, additional history and performance will be required

to fully evaluate the effectiveness of the water flood program.

#### VIRGINIA HILLS (See map on page 7)

The successful extension well drilled by your Company in the Virginia Hills reef field last March was completed. It was producing at the rate of 250 barrels per day on a restricted choke when road bans forced the well to be shut in. We are presently investigating the advisability of having this well included in the Virginia Hills Unit. Further development work is planned in this area as soon as weather conditions permit. The Company has a net 40% working interest in this 8,960 gross acres.

### SASKATCHEWAN

#### FLORENCE-CARNDUFF

The West Carnduff Unit water flood program is continuing to have water break throughs with resultant lower daily producing rates. The East Carnduff Unit, however, has begun to react to water injection with production gradually increasing. The Glen Ewen Unit commenced water

### NET OIL PRODUCTION BY FIELDS

(After Royalties)

(Net Barrels)

	1964	1963	1962	1961	1960
Florence-Carnduff, Saskatchewan .....	132,467	166,231	141,776	143,494	184,986
Northgate, Saskatchewan .....	4,043	—	—	—	—
Virden-Roselea, Manitoba .....	93,950	93,702	89,304	98,695	103,643
Big Valley, Alberta .....	29,444	31,815	36,121	35,196	47,297
Manyberries, Alberta .....	16,572	17,611	19,825	22,067	25,235
Wood River, Alberta .....	4,985	5,384	5,995	6,776	7,671
Crossfield, Alberta .....	92,521	90,832	55,073	66,738	2,383
Other Areas (Joffre included) .....	8,533	8,829	11,933	8,751	8,863
	382,515	414,404	360,027	381,717	380,078



injection during the fall of 1963 but has not, as yet, indicated any response, which may be attributed to the 160 acre spacing pattern which is in effect for this field. The production decline for the whole Florence-Carnduff area is due entirely to the reduced oil production from the West Carnduff Unit sector.

#### **NORTHGATE** *(See map on page 7)*

The discovery well for this area has been followed up with successful completion of a second flowing well at the fiscal year end. Interim 160 acre spacing regulations are in effect which will allow us to gather sufficient reservoir data to determine the most economical and efficient spacing pattern. Development drilling is continuing at a relatively rapid pace and at the time of writing this report four additional wells have been put on production.

The Company has a 33⅓% working interest in these producing wells.

### **MANITOBA**

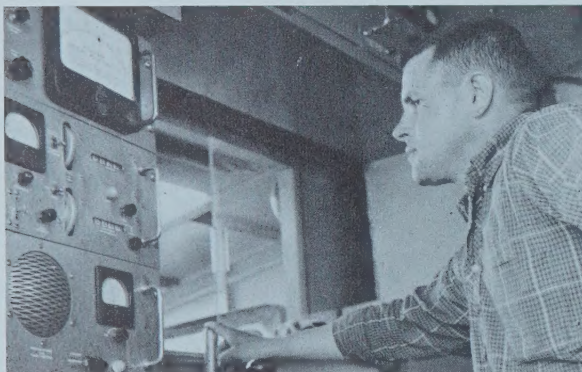
#### **SCALLION**

The response in the Scallion Unit and water flood program is most encouraging as the Unit is showing water flood response with increased production rates and no detrimental flood characteristics noted.

#### **VIRDEN-ROSELEA**

The production decline has been arrested through economical and efficient use of a chemical acid to reduce well bore plugging in this low pressure reservoir. A portion of CEGO's properties will be included in a proposed Unit and water flood plan to be completed during the coming year.

## **EXPLORATION AND LAND**



#### **EXPLORATORY DRILLING**

*(See maps on opposite page)*

Exploratory drilling by your Company during the past year was highlighted by the discovery of the Northgate oil pool in Southeast Saskatchewan currently undergoing active development drilling. Six producing oil wells have been drilled as of the date of this report.

In addition, the successful completion of a recently completed step-out well in the Virginia Hills Reef field has generated further interest in the Company's surrounding acreage. Immediate further drilling is planned.

Altogether the Company participated in a total of 17 exploratory holes, 7 more than last year. In addition to the Northgate discovery, there were 5 other tests in Southeast Saskatchewan. Four of these were abandoned as dry holes and one has been suspended. Further exploratory drilling is planned for the general area early in the next fiscal year.

Eleven exploratory wells were drilled in Alberta. Four of these were shallow tests in the Bindloss area located in an endeavor to extend the present

limits of that field. None of these found gas in commercial quantities and they were therefore abandoned.

A well in the Twining area was extensively tested after obtaining a thick potential gas section. It was deemed non-commercial and has been abandoned.

In the Paddle River area one well drilled on Company acreage at no cost to the Company was suspended after encountering a thin oil zone. A second well drilled on this acreage was abandoned as a dry hole.

A farmout in the Wood River area resulted in completion of a Cretaceous gas well drilled at no cost to the Company.

A deep test in the Mahaska area south of Whitecourt was abandoned.

In addition to the above, two wells were drilled under option agreements at locations off-setting Company interest acreage in the southwest Wood River and the Paddle River areas. Both were abandoned.

#### **LAND**

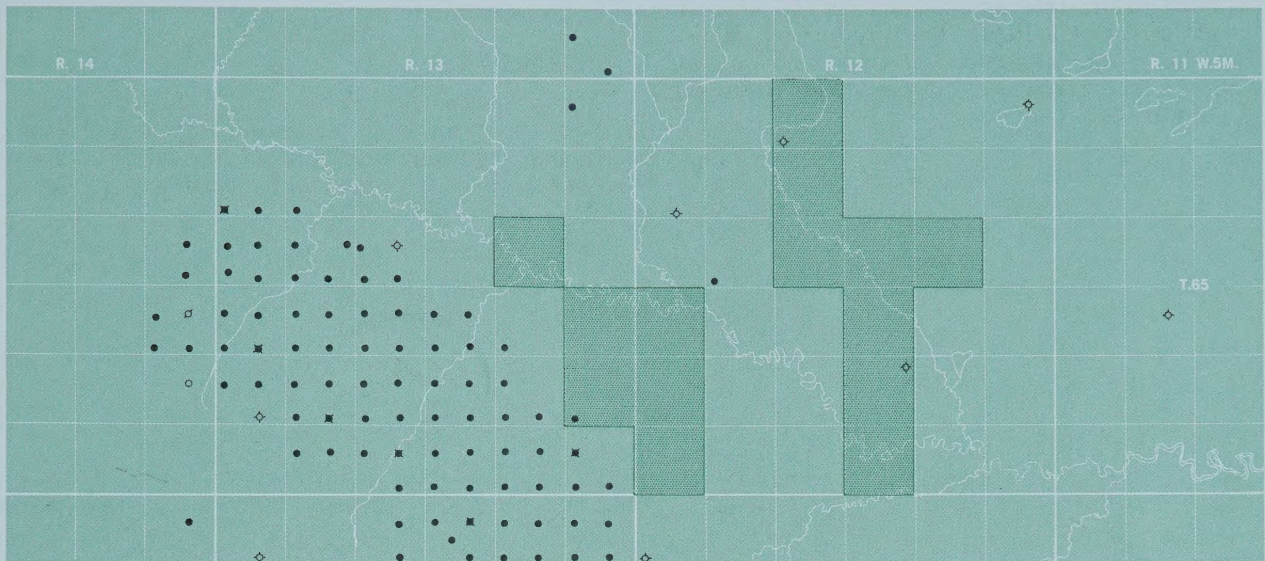
While a small decrease in total net acreage from last year is indicated, important acquisitions have been made replacing acreage surrendered after evaluation. New acreage has been acquired in the Pinto and Northgate areas of southeast Saskatchewan; in Alberta in the general area of the Goose River reef oil discovery and in the Virginia Hills area. In each of these areas, exploratory drilling activities presently under consideration will govern further acquisitions.

Further acreage was acquired in areas where the Company was already represented, such as Bindloss, Chip Lake, Dickson and Crossfield.



## VIRGINIA HILLS AREA

CEGO HAS 40% INTEREST IN SHADED AREA



## SOUTHEAST SASKATCHEWAN AREA









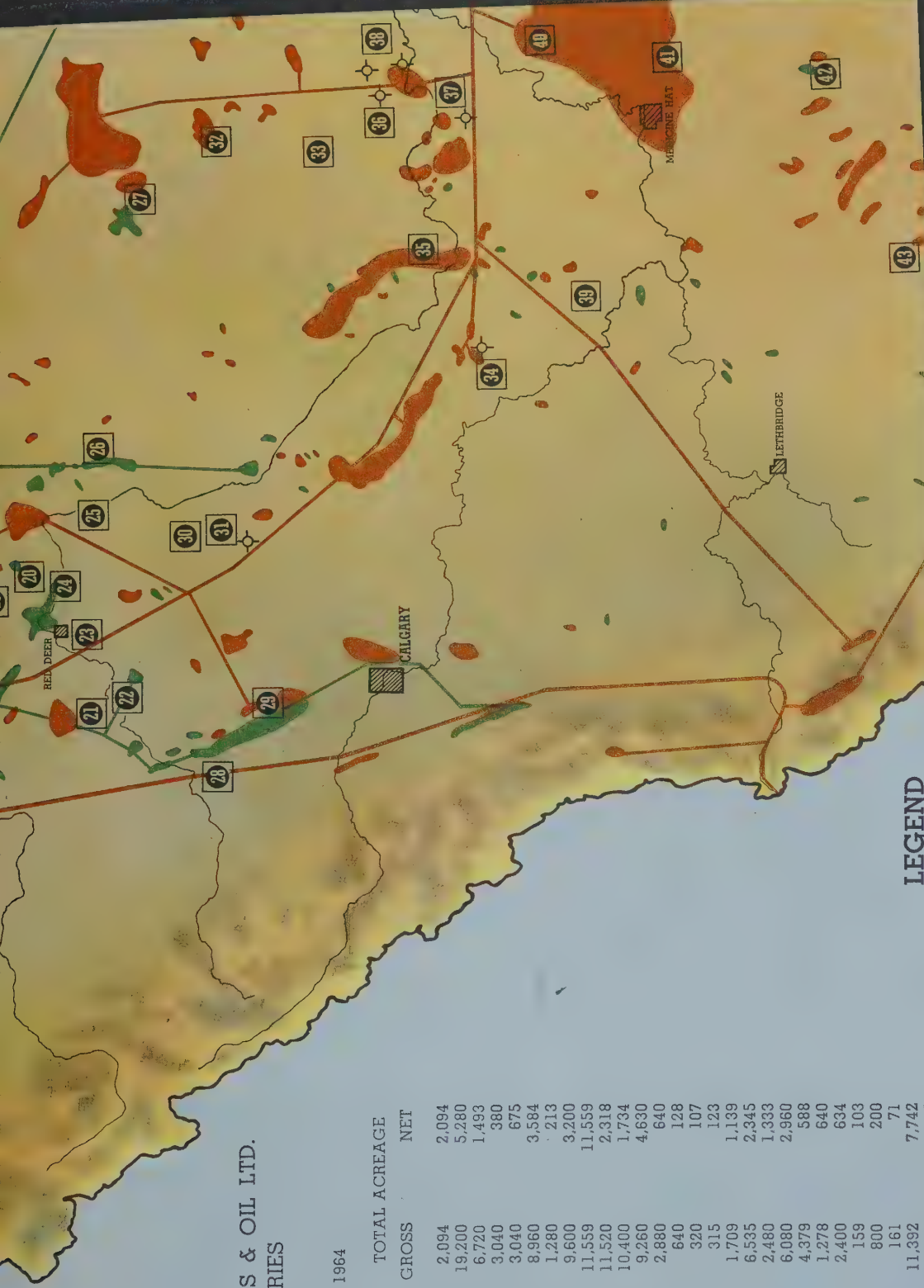
# CANADIAN EXPORT GAS & OIL LTD. AND SUBSIDIARIES

## Acreage

AS AT APRIL 30, 1964

	TOTAL ACREAGE	
	GROSS	NET
1. Ft. McMurray	2,094	2,094
2. Saddle Hills	19,200	5,280
3. Beaverhill Lake Play	6,720	1,493
4. Simonette	3,040	380
5. Goose River	3,040	675
*6. Virginia Hills	8,960	3,584
7. Heavysound	1,280	213
*8. Kindin	9,600	3,200
9. Jarvie	11,559	11,559
*10. Mahaska	11,520	2,318
11. Paddle River — Chip Lake	10,400	1,734
12. Geneviev	9,260	4,630
*13. Namoo	2,880	640
14. Tomchawak	640	128
15. South Leduc	320	107
16. Camrose	315	123
17. Samson	1,709	1,139
18. Wood River	6,535	2,345
19. Morningside	2,480	1,333
20. Ardley	6,080	2,960
21. Dickson	4,379	588
22. Gleniffer	1,278	640
23. Red Deer	2,400	634
24. Joffre	159	103
25. Delburne	800	200
26. Big Valley	161	71
27. Loyalist	11,392	7,742
28. Harmattan	968	968
29. Crossfield	4,398	1,399
30. Twining	1,600	133
*31. Swallowell	1,920	533
32. Sedalia	23,410	14,517
33. Helmsdale	6,382	5,425
34. Bassano	15,990	3,998
35. Steveston	59,271	29,636
36. Alkali Creek	3,040	2,027
37. Bindloss, Atlee, Buffalo	178,805	49,172
38. West Empress	2,560	1,706
39. Rolling Hills	640	320
40. Hilda	82,593	82,593
41. Medicine Hat	33,593	33,039
42. Manyberries	12,644	3,000
43. Aden	630	630

\* Indicates New Areas Acquired During Past Year.



## LEGEND

- CEGO LAND HOLDINGS
- OIL FIELDS
- GAS FIELDS

## WELLS DRILLED DURING THE YEAR

- OIL WELL
- GAS WELL
- DRY HOLE
- SUSPENDED



# CANADIAN EXPORT GAS & OIL LTD. AND CONSOLIDATED SUBSIDIARIES

## Consolidated Statement of SOURCE AND DISPOSITION OF FUNDS

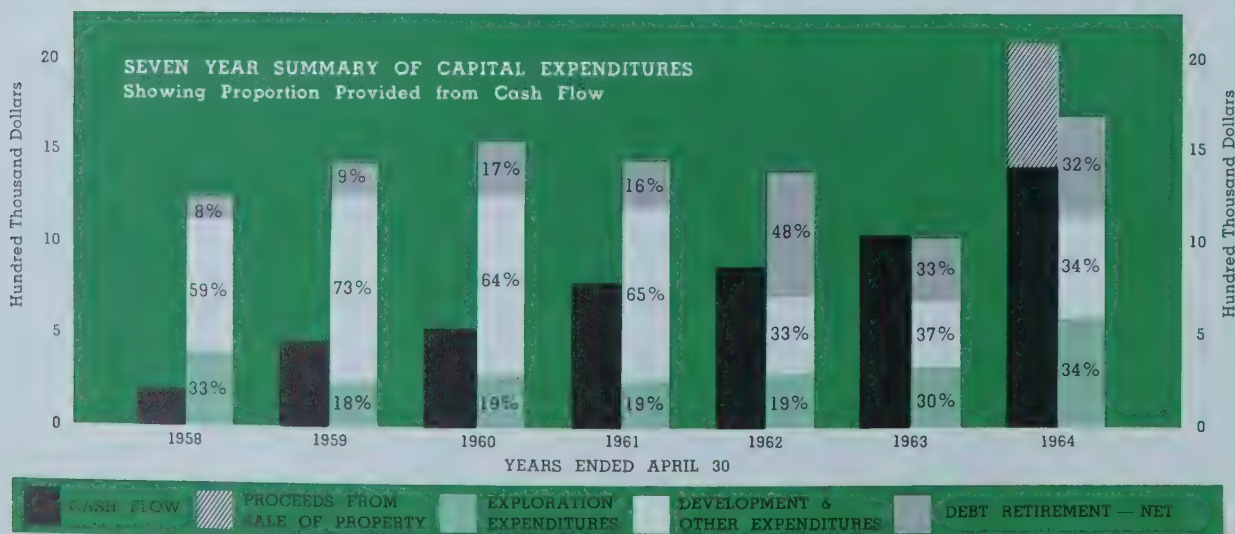
Year ended April 30, 1964

	1964	1963
<b>SOURCE OF FUNDS:</b>		
Cash flow from operations (see note below) .....	\$1,395,376	\$1,126,147
Proceeds from sale of property .....	616,532	—
	<u>2,011,908</u>	<u>1,126,147</u>
Less increase in working capital .....	357,012	32,701
<b>TOTAL FUNDS EMPLOYED</b> .....	<u>\$1,654,896</u>	<u>\$1,093,446</u>
<b>DISPOSITION OF FUNDS:</b>		
Exploration:		
Land acquisition and exploration surveys .....	19% \$ 320,230	15% \$ 168,713
Wildcat and stepout drilling .....	15 250,772	15 159,022
Development and Other Expenditures:		
Drilling and equipment of wells .....	16 256,042	12 128,217
Gas gathering systems and plants .....	10 160,215	15 162,286
Miscellaneous (net) .....	8 135,514	10 110,186
<b>CASH EARNINGS REINVESTED IN THE BUSINESS</b> .....	68 1,122,773	67 728,424
Long Term Debt Reduction:		
Companies' Sinking Fund Debentures .....	13 221,412	17 189,622
Bank loans .....	19 310,711	16 175,400
<b>TOTAL FUNDS USED</b> .....	<u>100% \$1,654,896</u>	<u>100% \$1,093,446</u>

**Note:**

Net profit before non-recurring gain per Statement of earnings .....	\$ 677,988
Add:	
Provisions and Amortization of bond discount	512,091
not involving the outlay of cash .....	220,385
Dry hole costs included in the disposition of funds, and abandonments	1,410,464
	15,088
Deduct gain on redemption of companies' debentures .....	\$1,395,376

*See accompanying notes to financial statements.*





# CANADIAN EXPORT GAS & OIL LTD. AND CONSOLIDATED SUBSIDIARIES

## Consolidated Statement of EARNINGS AND DEFICIT

Year ended April 30, 1964

	1964	1963
<b>OPERATING INCOME:</b>		
Crude oil and natural gas sales, less royalties .....	\$1,927,929	\$1,737,030
Royalty income .....	174,050	178,403
	<u>2,101,979</u>	<u>1,915,433</u>
Less production expenses .....	400,836	418,107
	<u>1,701,143</u>	<u>1,497,326</u>
Deduct administrative and general expenses — net .....	132,104	159,087
<b>NET OPERATING PROFIT BEFORE DEPLETION AND DEPRECIATION .....</b>	<u>1,569,039</u>	<u>1,338,239</u>
<b>OTHER CHARGES — NET:</b>		
Acreage rentals on non-producing properties .....	\$ 45,343	46,598
Interest on debentures .....	107,972	119,642
Interest —other .....	44,178	63,847
Amortization of bond discount .....	10,000	10,000
Dry holes and abandoned properties .....	220,385	146,380
	<u>427,878</u>	<u>386,467</u>
Deduct:		
Gain on redemption of company debentures .....	15,088	20,378
Miscellaneous income .....	23,830	17,995
	<u>38,918</u>	<u>38,373</u>
	<u>388,960</u>	<u>348,094</u>
<b>NET PROFIT BEFORE THE FOLLOWING PROVISIONS .....</b>	<u>1,180,079</u>	<u>990,145</u>
<b>PROVISIONS:</b>		
Depletion and amortization .....	265,563	274,266
Depreciation .....	236,528	228,363
	<u>502,091</u>	<u>502,629</u>
<b>NET PROFIT before non-recurring gain .....</b>	<u>677,988</u>	<u>487,516</u>
<b>NON-RECURRING GAIN on sale of property .....</b>	<u>542,459</u>	<u>—</u>
<b>NET PROFIT including non-recurring gain (Note 5) .....</b>	<u>1,220,447</u>	<u>487,516</u>
<b>DEFICIT at beginning of year .....</b>	<u>1,272,566</u>	<u>1,760,082</u>
<b>DEFICIT at end of year .....</b>	<u>\$ 52,119</u>	<u>\$1,272,566</u>

*See accompanying notes to financial statements.*





# CANADIAN EXPORT GAS & OIL LTD.

## CONSOLIDATED BALANCE SHEET

### ASSETS

	1964	1963
<b>CURRENT ASSETS:</b>		
Cash .....	\$ 83,412	\$ 70,570
Short term investments at cost plus accrued interest .....	300,382	100,000
Accounts receivable .....	680,181	405,936
Marketable securities, at cost (quoted market value \$27,573) .....	4,740	4,895
Inventories of equipment — at the lower of cost or market .....	94,430	40,744
Total current assets .....	<u>1,163,145</u>	<u>622,145</u>
<b>INVESTMENTS AND ADVANCES:</b>		
Subsidiary company not consolidated (Note 1):		
Shares, at cost .....	\$ 35,223	35,223
Advances .....	263,629	252,276
	<u>298,852</u>	<u>287,499</u>
Other shares, at cost .....	5,625	5,625
Drilling and other deposits .....	70,158	63,093
	<u>374,635</u>	<u>356,217</u>
<b>FIXED ASSETS — at cost:</b>		
Productive properties and equipment .....	8,936,925	8,294,136
Other assets .....	100,322	94,374
	<u>9,037,247</u>	<u>8,388,510</u>
Less accumulated depreciation, depletion and amortization .....	3,520,946	3,078,213
	<u>5,516,301</u>	<u>5,310,297</u>
Undeveloped properties .....	750,170	625,022
	<u>6,266,471</u>	<u>5,935,319</u>
<b>DEFERRED CHARGES (unamortized):</b>		
Exploration and preproduction expenditures (Note 1) .....	1,792,638	1,827,729
Bond discount .....	68,333	78,333
	<u>1,860,971</u>	<u>1,906,062</u>
	<u>\$9,665,222</u>	<u>\$8,819,743</u>

*See accompanying notes to financial statements.*



# ID CONSOLIDATED SUBSIDIARIES

HEET AT APRIL 30, 1964

## LIABILITIES

	1964	1963
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses .....	\$ 594,478	\$ 429,718
Accrued debenture interest .....	36,804	41,387
Payments required for debenture sinking funds .....	199,000	110,500
Bank loans due within one year (secured) (Note 2) .....	360,711	425,400
Total current liabilities .....	1,190,993	1,007,005
 ACCOUNT PAYABLE not due within one year .....	—	11,745
 BANK LOANS, net of current portion (secured) (Note 2) .....	226,000	536,711
 FUNDED DEBT (Note 3) .....	1,784,500	2,021,000
 <b>SHAREHOLDERS' EQUITY:</b>		
Capital stock (Notes 3 and 4):		
Authorized 12,000,000 shares of a par		
value of 16 2/3 cents each.		
Issued and outstanding 7,828,394 shares .....	\$1,304,732	1,304,732
Paid-in surplus .....	5,211,116	5,211,116
	6,515,848	6,515,848
Less deficit .....	52,119	1,272,566
	6,463,729	5,243,282
 Approved on Behalf of the Board:		
AUGUST F. BECK		
WILBUR L. GRIFFITH		
	\$9,665,222	\$8,819,743

*This is the balance sheet referred to in the report of Peat, Marwick, Mitchell & Co.,  
Chartered Accountants, dated July 3, 1964.*



## CANADIAN EXPORT GAS & OIL LTD. AND CONSOLIDATED SUBSIDIARIES

### NOTES TO FINANCIAL STATEMENTS

April 30, 1964

#### 1. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the company's subsidiaries, Canex Gas Ltd., North Dakota Royalties Ltd., W. L. Griffith Ltd. and The Lambton Company Limited. All intercompany accounts and transactions have been eliminated in consolidation.

From the date of incorporation, March 22, 1954, to June 30, 1957 the activities of the subsidiary company, Canex Gas Ltd., were in an exploratory and development stage and all exploration and preproduction expenditures less miscellaneous income received were deferred and are being amortized by a unit of production method based on the estimated recoverable gas reserves of the company at June 30, 1957. Capital expenditures of Canex Gas Ltd. are included in the accompanying consolidated balance sheet in the appropriate classifications under fixed assets.

The accounts of the subsidiary company, Bluewater Oil & Gas Limited, are not included in the accompanying consolidated financial statements because this company is not a significant subsidiary. The loss of Bluewater Oil & Gas Limited for the year ended April 30, 1964 applicable to the investment of the company on a consolidated basis amounted to \$9,005. The company's investment on a consolidated basis exceeded its share of capital less deficit at April 30, 1964 of Bluewater Oil & Gas Limited by \$30,060.

#### 2. BANK LOANS:

The bank loans consist of demand loans in the amount of \$586,711, which loans are being repaid at a rate sufficient to retire \$360,711 by April 30, 1965. These loans are secured by certain of the companies' properties and production proceeds.

#### 3. FUNDED DEBT:

Funded debt consists of 5% Convertible Sinking Fund Debentures Series A, of which the parent company has \$991,500 principal amount outstanding, maturing December 1, 1970, and Canex Gas Ltd. has \$793,000 principal amount outstanding, maturing July 15, 1971. The funded debt of \$1,784,500 is net of \$61,500 of debentures purchased by the companies for sinking fund purposes and \$199,000 included in current liabilities.

Series A debentures of the parent company are convertible into shares of the capital stock of the company at the option of the holders at varying rates until their maturity date. Series A debentures of Canex Gas Ltd. are convertible into shares of that company at varying rates until their maturity date.

The Series A debentures are redeemable out of the sinking fund and otherwise than out of the sinking fund at premiums varying with the date of redemption.



#### 4. CAPITAL STOCK:

The company has granted restricted stock options to five employees giving the grantees the right to purchase capital stock of the company as follows:

	<u>Expiry date</u>
160,000 shares at \$2.25 per share (exercisable one-eighth each year commencing December 15, 1960 on a cumulative basis)	April 15, 1968
10,000 shares at \$2.11 per share (exercisable one-fifth each year commencing September 18, 1960 on a cumulative basis)	January 18, 1965

At April 30, 1964 the company had reserved 170,000 shares for issue upon the exercise of the above mentioned employees' stock options.

The company has reserved an additional 115,200 shares for issue upon exercise of the conversion privilege attaching to the company's 5% Convertible Sinking Fund Debentures.

The trust indenture securing the company's 5% Convertible Sinking Fund Debentures, Series A, places a restriction upon the payment of dividends and upon the redemption or repayment of capital stock, unless, after giving effect thereto, the consolidated net current assets will be at least equal to 75% of the aggregate principal amount of funded obligations of the company then outstanding.

#### 5. INCOME TAXES:

No provision has been made for income taxes for the year ended April 30, 1964 as each of the companies has drilling and exploration expenses which may, for income tax purposes, be applied against the current earnings so that no income taxes are exigible.

The drilling and exploration expenses which may, for income tax purposes, be applied against earnings in future years are estimated to amount, in aggregate, to \$4,640,000 at April 30, 1964.

### AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Canadian Export Gas & Oil Ltd. and Consolidated Subsidiaries as of April 30, 1964 and the consolidated statement of earnings and deficit for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statement of earnings and deficit are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company and its consolidated subsidiaries at April 30, 1964 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying consolidated statement of source and disposition of funds for the year ended April 30, 1964 presents fairly the information shown therein.

Calgary, Alberta  
July 3, 1964

PEAT, MARWICK, MITCHELL & CO.  
Chartered Accountants.





## SEVEN YEAR STATISTICAL SUMMARY / 58 - 64

(Years ended April 30)

	1964	1963	1962
<b>PRODUCTION:</b>			
Oil—Annual .....	Bbls. 382,515	414,404	360,027
Daily average .....	Bbls. 1,048	1,135	986
Gas—Annual .....	MMCF 7,466	5,752	5,523
Daily Average .....	MMCF 20	16	15
<b>EARNINGS:</b>			
Gross operating income, less royalties paid .....	\$2,101,979	\$1,915,433	1,693,754
Net operating profit before depletion and depreciation .....	\$1,569,039	\$1,338,239	1,112,679
Cash flow from operations .....	\$1,395,376	\$1,126,147	883,660
Net profit (loss) before depletion and depreciation .....	\$1,180,079	\$ 990,145	782,814
Net profit (loss) .....	\$ 677,988	\$ 487,516	266,601
<b>OPERATING EXPENSES:</b>			
Production expenses .....	\$ 400,836	\$ 418,107	377,353
Administrative and general expenses .....	\$ 132,104	\$ 159,087	203,722
Total .....	\$ 532,940	\$ 577,194	581,075
<b>CAPITAL STRUCTURE:</b>			
Shareholders equity .....	\$6,463,729	\$5,243,282	4,755,766
Funded debt .....	\$1,784,500	\$2,032,745	2,279,150
Bank loans .....	\$ 226,000	\$ 536,711	712,111
Working capital deficit .....	\$ 27,848	\$ 384,860	417,561
Total capital invested .....	\$8,502,077	\$8,197,598	8,164,588
Number of shares outstanding .....	7,828,394	7,828,394	7,828,394
<b>SIGNIFICANT RATIOS:</b>			
Ratio of net profit to gross earnings .....	% 32	25	16
Cash flow return on capital invested .....	% 16	14	11
Net profit return on capital invested .....	% 8	6	3
Ratio of shareholders' equity to total capital invested ..	% 76	64	58
Ratio of operating expenses to gross earnings .....	% 25	30	34
Net book value of assets .....	Per share \$1.09	\$1.05	\$1.04
Cash flow .....	Per share 18¢	14¢	11¢
Net profit .....	Per share 9¢	6¢	3¢
<b>WELLS:</b>			
Oil wells (net) .....	61	61	64
Gas wells (net) .....	75	77	73
Royalty interest wells (gross) .....	214	205	200
<b>LAND HOLDINGS: (including royalty acreage)</b>			
Gross acreage .....	*893,331	4,335,811	4,339,891
Net acreage .....	306,901	324,128	322,845
<b>OWNERS AND EMPLOYEES:</b>			
Number of shareholders .....	5,250	5,521	5,413
Number of employees .....	32	31	35

\* Decrease is due to termination of several large blocks of permits in N.W.T. in which Company had a small overriding royalty interest.



1961	1960	1959	1958
381,717	380,078	358,816	301,757
1,046	1,041	983	827
4,397	2,917	1,926	288
12	8	5	1
1,538,581	1,327,713	1,273,901	935,308
1,077,870	804,679	771,575	509,173
792,359	524,987	471,069	206,765
703,635	435,498	215,142	(85,949)
222,658	28,747	(211,258)	(645,496)
303,212	307,087	208,936	114,296
157,499	215,947	291,904	311,839
460,711	523,034	500,840	426,135
4,175,977	3,466,287	2,798,476	2,988,213
2,509,500	2,784,500	3,071,500	3,250,500
1,136,211	325,800	429,000	—
428,051	1,080,986	627,013	88,732
8,249,739	7,657,573	6,925,989	6,327,445
7,628,394	7,428,394	7,166,453	7,019,456
14	2	—	—
10	7	7	3
3	—	—	—
51	45	40	47
30	39	39	46
\$1.08	\$1.03	97¢	90¢
10¢	7¢	6¢	3¢
3¢	—	—	—
63	65	62	52
68	51	38	33
166	179	167	149
4,373,945	4,914,210	5,160,108	5,894,986
316,645	424,306	426,989	1,139,545
5,024	4,879	4,642	4,601
41	38	37	37

